

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:1458
ANSWERED ON:27.02.2003
COST OF POWER SUPPLY AND POWER TARIFF
RAMCHANDRA VEERAPPA

Will the Minister of POWER be pleased to state:

- (a) whether the gap between the cost of power supply and average tariff has been on the rise in the country;
- (b) if so, whether the Government have taken action/propose to take action to correct the current trend; and
- (c) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) : Yes, Sir.

(b) & (c) : The increasing gap between cost of power supply and average tariff is mainly due to high T&D losses and inefficient operation of State Electricity Board (SEB). The Government of India has been signing Memorandum of Understanding (MOU) with states reflecting the joint commitment of the Centre and the States to undertake reforms in a time bound manner. These reforms are aimed at improving the efficiency of State owned power sector and reducing T&D losses. The MOUs are being fleshed out to Memorandum of Agreements (MOAs) with clearer and more specific milestones as the reform programme in the State is acquiring concrete shape. 25 States have been covered by this exercise till now.

With the enactment of Electricity Regulatory Commissions Act, 1998 the State Commissions are required under Section 29(2) (c) to ensure inter alia that the tariff progressively reflects the cost of supply of electricity at an adequate and improving level of efficiency. So far 13 SERCs have passed tariff orders.

Under the Accelerated Power Development and Reforms Programme (APDRP), projects for bringing about a turn around in identified distribution circles by reducing Aggregate Technical and Commercial losses and improving the quality of power supply are being financed. In addition actual reduction of the gap between revenue and cost in the State is to be incentivised through grants.